



Is Your Nonprofit or Small Business Impacted by Coronavirus? **Apply NOW for Economic Relief Programs**

New legislation, including the recently passed Coronavirus Aid, Relief, and Economic Security (CARES) Act, has created significant new resources for nonprofits, small businesses, and individual workers that have been negatively impacted by the COVID-19 pandemic.

Paycheck Protection Program: Forgivable Loans to Cover Payroll and Other Expenses

The CARES Act created the Paycheck Protection Program (PPP) which allows nonprofits and small businesses with under 500 employees to receive low-interest business continuity loans that can be forgiven – essentially transforming them into a grant – if your organization (1) uses the loans for qualified expenses and (2) you maintain your staff and compensation levels for a specified period of time after receiving the loan.

PPP provides a one-time payment worth 250 percent of your average monthly payroll expenses over the last year. In order to qualify for loan forgiveness, PPP money should primarily be used to cover ongoing payroll costs.

Following the CARES Act, the PPP Flexibility Act and the PPP Extension Act made several changes to PPP, including updated

forgiveness requirements and extending the deadline to apply to PPP to August 8, 2020. For details on the most up to date PPP forgiveness requirements, read our legal alert, [Take These Steps to Apply for Paycheck Protection Program Loan Forgiveness](#).

Application Requirements: Applicants must submit a two-page [application form](#) and payroll documents. Borrowers do not have to put up collateral, personally guarantee the loan, or seek money from other sources to receive a PPP loan.

More information is available on the [SBA's Paycheck Protection Program \(PPP\) Information Sheet: Borrowers](#).

Emergency Economic Injury Disaster Loan: Forgivable Cash Advance for Up to \$10,000

Nonprofits and small businesses can now receive a cash advance of up to \$10,000 after successfully applying for an Economic Injury Disaster Loan (EIDL) from the SBA. The total amount of the advance is calculated based on number of employees, calculated at \$1,000 per employee, up to \$10,000. The cash advance does not have to be repaid, even if the EIDL application is denied, and applicants can choose to apply only for the advance. The SBA has also released a [streamlined online application process](#) for

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EIDL applications. There are a limited number of advances available, so interested entities should apply immediately.

As background, the EIDL program provides small businesses and nonprofits with low-interest working capital loans of up to \$2 million to pay fixed debts, payroll, accounts payable, and other bills that can't be paid because of the coronavirus pandemic's impact. Due to high demand for the EIDL program, initial loan disbursements are capped at \$15,000.

Applicants can apply for and receive both EIDL, including the advance of up to \$10,000, and PPP at the same time, although funds cannot be used for duplicative purposes. Nonprofits and small businesses affected by the pandemic should consider applying for an EIDL because (a) the advance will be approved and received much faster than PPP funds, and (b) EIDL can be used for non-payroll expenses (e.g. rent, other fixed costs) that are capped under PPP.

New \$5,000 Employee Retention Credit

For employers who do not receive funds through PPP, the CARES Act establishes an employee retention payroll tax credit for entities impacted by COVID-19 to encourage keeping employees on the payroll. The credit is available to all employers, regardless of size, that either suspend operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to COVID-19 or experiences a significant decline in gross receipts during the calendar quarter.

The credit is equal to 50 percent of the first \$10,000 in qualified wages paid to employees between March 12, 2020, and January 1, 2021. Qualified wages for employers with 100 or less full-time equivalents are all employee wages paid during the applicable period, regardless of whether or not the employee is providing services to the employer. For employers with more than 100 full-time equivalents, qualified wages are wages paid to employees during the period that the employees are not providing services due to specified COVID-19-related circumstances.

For more information, see the IRS fact sheet, [FAQs: Employee Retention Credit under the CARES Act](#).

Payroll Tax Deferral

Organizations may now defer paying their portion of social security payroll taxes (6.2 percent) otherwise due for the period ending December 31, 2020. Such deferred taxes will now be due at the end of 2021 and 2022 in 50/50 installments. This tax deferral benefit will not be available to entities that receive PPP.

Expansion of Unemployment Insurance

The CARES Act substantially expands unemployment insurance eligibility, benefit amount, and length of benefits. First, self-employed individuals, freelancers, gig workers, and independent contractors that are unemployed or partially unemployed as a result of COVID-19 may now be eligible for unemployment compensation through the remainder of 2020. However, those able to telework or receiving paid leave benefits are

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not eligible for unemployment compensation.

Next, the Act provides for an additional \$600 of weekly benefit through July 31, 2020, which is on top of each jurisdiction's ordinary benefit amount. Further, the Act extends benefits for an additional 13 weeks, for a total benefits period of 39 weeks in most jurisdictions.

Nonprofits that are self-insured reimbursable employers, meaning that they make quarterly payments to the jurisdiction's Trust Fund for the amount of unemployment benefits actually paid instead of paying into the regular UI program, will receive some relief under the CARES Act. The federal government will reimburse one-half of the amount paid into a jurisdiction's Trust Fund from March 13, 2020 to December 31, 2020.

Increased Charitable Deductions for Nonprofits

To encourage increased charitable giving, the Act makes changes to the tax law for 2020 that may benefit nonprofits. First, individual taxpayers that take the standard deduction may also claim a deduction of up to \$300 for cash donations to charitable organizations. In addition, the limitation on charitable contributions by individual taxpayers who itemize is increased to 100 percent of adjusted gross income. Similarly, the limit for corporations was raised to 25 percent of taxable income.

Additional information for nonprofits and small businesses impacted by the coronavirus pandemic is at the D.C. Bar Pro

Bono Center's Coronavirus Legal Resources section at www.probono.center/NPSB.

If you have questions about these programs or other legal issues, feel free to contact us at cedinfo@dcbar.org.

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